

ASSEMBLY, No. 10

STATE OF NEW JERSEY

214th LEGISLATURE

INTRODUCED MAY 13, 2010

Sponsored by:

Assemblywoman SHEILA Y. OLIVER

District 34 (Essex and Passaic)

Assemblyman JOSEPH CRYAN

District 20 (Union)

Co-Sponsored by:

Assemblywoman Stender, Assemblyman Fuentes, Senators Sweeney and Ruiz

SYNOPSIS

Increases gross income tax rate on income exceeding \$1,000,000 for taxable year 2010.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 5/21/2010)

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e. An employer maintaining an office or transacting business within this State and making payment of any salaries, wages and remuneration subject to New Jersey gross income tax or making payment of any remuneration for employment subject to contribution under the New Jersey "unemployment compensation law," pursuant to R.S.43:21-1 et seq., that is subject to New Jersey

1 gross income tax shall not be subject to interest, penalties or other
2 costs that may otherwise be imposed for insufficient withholding of
3 salaries, wages and other remuneration made before October 1,
4 2010 that is directly attributable to the enactment of the taxable
5 income tables and tax rates in subsections b. and c. of this section.

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7 2. This act shall take effect immediately but remain inoperative
8 until the date of enactment of P.L.2010, c. (pending before the
9 Legislature as Assembly Bill No. 20 or Senate Bill No. 20 of 2010).

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12 STATEMENT

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14 This bill provides a temporary adjustment to the rate of the gross
15 income tax for taxpayers with taxable incomes exceeding
16 \$1,000,000 in taxable years beginning on or after January 1, 2010
17 but before January 1, 2011 (the "taxable year 2010"). The bill
18 provides for adjusted income taxation at the following bracket at the
19 following rate: over \$1,000,000 is adjusted from 8.97% to 10.75%.

20 It is intended that the revenue generated in State fiscal year 2011
21 from this bill will be used to restore critical programs that would
22 otherwise be cut or reduced in the annual appropriations act. This
23 bill will only become operative if a companion bill making the
24 funding restorations is enacted.

25 Governor Christie's proposed Fiscal Year 2011 budget, while
26 purporting to be based on the principle of "shared responsibility,"
27 places much too high a burden on the State's senior citizens and
28 residents with disabilities.

29 This bill and its companion measure (Assembly Bill No. 20 of
30 2010), would ease this burden on senior citizens and residents with
31 disabilities by asking the State's 16,000 highest earners to
32 temporarily pay a higher income tax on income over \$1 million.
33 This one year increased rate would equate to just 1.7 cents for each
34 dollar of income over \$1 million.

35 The Governor's proposed budget would eliminate vital
36 homestead property tax rebates for over 500,000 senior citizens and
37 disabled homeowners and over 100,000 senior citizen and disabled
38 tenants during calendar year 2010 and provide just 25% of rebates
39 for the remainder of Fiscal Year 2011.

40 With New Jersey's dubious distinction of having the highest
41 property taxes in the nation - a situation that will be exacerbated by
42 substantial reductions in school aid and municipal aid in the
43 proposed budget - these rebates are the financial bridge that senior
44 citizens need to remain in their lifelong homes.

45 These bills, together with the funding provided in the proposed
46 budget, would give senior citizens and residents with disabilities the
47 full homestead property tax rebate to which they are entitled in
48 statute.

1 For nearly 400,000 senior citizens and disabled homeowners
2 with incomes below \$50,000, an average rebate of nearly \$1,300
3 would be received; for over 50,000 with income between \$50,000
4 and \$75,000, an average rebate of over \$1,300 would be received;
5 for nearly 23,000 with income between \$75,000 and \$100,000, an
6 average rebate of nearly \$1,300 would be received; and for over
7 35,000 with incomes between \$100,000 and \$150,000, an average
8 rebate of \$750 would be received.

9 For over 100,000 senior citizen and disabled tenants with
10 incomes below \$50,000, an average rebate of over \$700 would be
11 received. Those with incomes between \$50,000 and \$100,000
12 would receive an average rebate of \$150-\$200.

13 Additionally, these bills will reverse the devastating changes to
14 the Pharmaceutical Assistance to the Aged and Disabled (PAAD)
15 and Senior Gold Prescription Discount programs proposed by
16 Governor Christie for Fiscal Year 2011. The Governor's budget
17 would increase the health care cost burden on the State's least
18 financially well-off senior citizens and residents with disabilities by
19 requiring them to pay a deductible before being eligible for low-
20 cost medications. The proposed budget also would increase the co-
21 payment these residents must pay for brand name drugs from \$7 per
22 prescription to \$15 per prescription.

23 Approximately 100,000 senior citizens and residents with
24 disabilities that qualify for PAAD with incomes below \$24,432
25 (single) and \$29,956 (married) would be subject to a \$310
26 deductible. An additional 5,000 residents would pay a \$63
27 deductible. The 23,000 residents qualifying for the Senior Gold
28 Prescription Discount program with incomes between \$24,432 and
29 \$34,432 (single) and between \$29,956 and \$39,956 (married) also
30 would pay the \$310 deductible (\$620 for a married couple).

31 Under the Governor's proposal, beginning January 1, 2011
32 PAAD and Senior Gold participants will not be able to receive their
33 medications until they meet the full cost of the new deductible. The
34 average cost for one prescription for these residents is \$119 - the
35 amount most will have to have in hand in order to get their first
36 prescription in January. For those with multiple prescriptions, the
37 full \$310 will have to be paid on their first trip to the pharmacy in
38 January. This not only presents a severe hardship for the patients,
39 but will be problematic for pharmacies which would have to
40 withhold medications from those who cannot pay or pay for the
41 drugs themselves.

42 In addition, the over 100,000 senior citizens and residents with
43 disabilities who would pay the newly imposed deductible would
44 also pay a 114.3% increase in the co-payment for brand name
45 drugs.

46 According to the Division of Senior Benefits and Utilization
47 Management in the New Jersey Department of Health and Senior
48 Services, nearly 40% of all PAAD prescriptions are for brand name

1 drugs. There are many drugs for which there are no generic
2 equivalents and many patients for whom the brand name drug is
3 medically necessary even when a generic equivalent exists. For
4 patients requiring brand name drugs there is no alternative but to
5 pay the increased cost or forego the medications.

6 There is great concern that the added burden of these costs will
7 lead to senior citizens and residents with disabilities rationing drugs
8 or not taking them at all. This eventuality would lead to even
9 higher health care costs across the health care system, including
10 Medicaid and Medicare. Since the vast majority of senior citizens
11 and residents with disabilities receive health care services through
12 government programs, the “savings” from these PAAD and Senior
13 Gold changes will likely result in much higher costs for other
14 taxpayer-funded health care programs.

15 This bill and its companion bill will eliminate the Governor’s
16 proposed co-pay increase to PAAD recipients as well as the
17 proposed imposition of a new deductible on PAAD and Senior Gold
18 recipients. It is the sponsor’s belief that eliminating the proposed
19 deductible and keeping the brand name drug co-payment at the
20 current level is not only the fair and humane way to treat this
21 State’s senior citizens and residents with disabilities, but that, in the
22 long-run, it will save the State even more by avoiding more costly
23 health care issues.